

for an immediate annuity under the Civil Service Retirement System:

(D) does not withdraw retirement contributions under section 8342 of title 5, United States Code;

(E) within 60 days following such separation, is employed by the defense contractor selected to privatize the function to perform substantially the same function performed by the person before the separation; and

(F) remains employed by the defense contractor (or a successor defense contractor) or subcontractor of the defense contractor (or successor defense contractor) until attaining early deferred retirement age (unless the employment is sooner involuntarily terminated for reasons other than performance or conduct of the employee).

(2) A person who, under paragraph (1), would otherwise be eligible for an early deferred annuity under this section shall not be eligible for such benefits if the person received separation pay or severance pay due to a separation described in subparagraph (B) of that paragraph unless the person repays the full amount of such pay with interest (computed at a rate determined appropriate by the Director of the Office of Personnel Management) to the Department of Defense before attaining early deferred retirement age.

(c) RETIREMENT BENEFITS OF CONVERTED EMPLOYEES.

~~In the~~ case of a converted employee covered by a pilot program, payment of a deferred annuity for which the converted employee is eligible under section 8338(a) of title 5, United States Code, shall commence on the first day of the first month that begins after the date on which the converted employee attains early deferred retirement age, notwithstanding the age requirement under that section. If the employment of a converted employee is involuntarily terminated by the defense contractor or subcontractor as described in subsection (b)(1)(F) and the converted employee resumes Federal service before the converted employee attains early deferred retirement age, the converted employee shall once again be covered under the Civil Service Retirement System instead of the pilot program.

(d) COMPUTATION OF AVERAGE PAY.—(1)(A) This

paragraph  
applies to a converted employee who was employed  
in a position  
classified under the General Schedule  
immediately before the  
employee's covered separation from Federal service.

(2) Subject to subparagraph (C), for purposes of  
computing  
the deferred annuity for a converted employee referred  
to in  
subparagraph (A), the average pay of the converted employee, com-  
puted under section 8331(4) of title 5, United States Code,  
as  
of the date of the employee's covered separation from Federal  
serv-  
ice, shall be adjusted at the same time and by the same  
percentage  
that rates of basic pay are increased under section 5303 of  
such  
title during the period beginning on that date and ending on  
the  
date on which the converted employee attains early deferred  
retire-  
ment age.

(3) The average pay of a converted employee,  
as adjusted  
under subparagraph (B), may not exceed the amount to which  
an annuity of the converted employee could be increased under  
section 8340 of title 5, United States Code, in accordance with  
the limitation in subsection (a)(1) of such section (relating to maxi-  
mum pay, final pay, or average pay).